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**Finance Committee**

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**HB 1663**

**Brief Description:** Concerning imposing a surtax on the possession of hazardous substances.

**Sponsors:** Representatives Peterson, Fitzgibbon, Macri and Pollet; by request of Department of Ecology.

**Brief Summary of Bill**

- Imposes a surtax on the first possession of hazardous substances in Washington, subject to a fiscal year limit of \$160 million in combined tax and surtax collections.

**Hearing Date:** 2/7/17

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Model Toxics Control Act.

The Model Toxics Control Act (MTCA), which is administered and enforced by the Department of Ecology (DOE), requires liable parties to clean up sites contaminated with hazardous substances, and authorizes the DOE to conduct certain pollution prevention activities. Under the MTCA, the State Toxics Control Account (STCA) and The Local Toxics Control Account (LTCA) provide for hazardous and solid waste planning, contaminated site cleanup grants to local governments, and other activities related to hazardous waste prevention, management, and remediation. The Environmental Legacy Stewardship Account (ELSA), created in 2013, provides grants or loans to local governments for performance and outcome-based projects, model remedies, demonstrated technologies, procedures, contracts, and project management and oversight that result in significant reductions in the average time spent to complete other authorized projects.

Hazardous Substance Tax.

There is a privilege tax on the first possession of hazardous substances in Washington. The hazardous substances include petroleum products, pesticides, and certain chemicals determined

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by the DOE to present a threat to human health or the environment if released into the environment.

The tax is based on the wholesale value of the hazardous product. The tax rate is 0.7 percent. All receipts from this tax are distributed as follows:

- 56 percent of the first \$140 million per fiscal year to the STCA;
- 44 percent of the first \$140 million per fiscal year to the LTCA; and
- any amount collected over \$140 million per fiscal year to the ELSA.

In fiscal year 2013 the Hazardous Substance Tax collected over \$198 million. In subsequent fiscal years that amount declined. In fiscal year 2016 the tax collections were \$113,225,000.

**Summary of Bill:**

In addition to the current 0.7 percent tax on hazardous substances, an additional surtax is imposed on the first possessor of hazardous substances. In the 2017-19 biennium, the surtax amount is 0.14 percent on the wholesale rate of hazardous substances. Beginning in Fiscal Year 2020, the surtax amount is 0.03 percent.

If in any fiscal year the total aggregate collections of the tax and the surtax equals or exceeds \$160 million, the DOR will suspend the surtax for the remainder of the fiscal year. The suspension begins on the first day of the calendar month that is at least 30 days after the DOR makes a determination that revenues equal or exceed \$160 million. The DOR must provide notice on its website of the surtax suspension as soon as is practical. The surtax will be reinstated on the first of the next fiscal year.

A determination that the surtax is suspended by the DOR is final.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 2017.